

**OTAY MESA ENHANCED INFRASTRUCTURE FINANCING DISTRICT
PUBLIC FINANCING AUTHORITY
Meeting of January 8, 2018**

DATE ISSUED: December 28, 2017

SUBJECT:

Authorization of a Memorandum of Understanding (MOU) between the Otay Mesa Enhanced Infrastructure Financing District (District) and the City of San Diego (City); and adoption of the Operating and Capital Improvement Program Budgets for Fiscal Year 2019.

CONTACT/PHONE NUMBER:

Scott Mercer, Planning Department, 619-533-3676
Marco Camacho, Planning Department 619-235-5216

DESCRIPTIVE SUMMARY OF ITEM:

This item includes:

1. A proposed MOU between the District and the City outlining the annual operating and capital budget process; and City staffing of the District
2. The proposed District Operating and Capital Improvement Program Budgets for Fiscal Year 2019

STAFF RECOMMENDATION:

Approve the proposed resolutions.

EXECUTIVE SUMMARY OF ITEM:

The District was formed by Resolution OMPFA-2 of the associated Public Financing Authority (PFA) on July 24, 2017, for the purpose of financing infrastructure in the Otay Mesa community.

The District has no staff and is reliant on the City to provide its operational staff needs. A Memorandum of Understanding (MOU) has been prepared between the District and the City outlining how the City will provide operational staff services to the District, and how the District in turn will reimburse the City for those services. The MOU also describes the process by which the City will propose eligible capital improvement projects for funding and approval by the District.

Included in the proposed actions is a resolution for the PFA to authorize the form of MOU submitted as Attachment 1 to this report.

Proposed Budget:

It is anticipated that the District will begin receiving Tax Increment (TI) revenue in the fiscal year starting July 1, 2018 (Fiscal Year 2019); and the District Infrastructure Financing Plan (IFP) has projected the initial year TI to be \$670,000. Accordingly, the District requires an Operating and Capital Budget for Fiscal Year 2019 and the proposed actions include a resolution adopting such budgets. The Operating Budget shows the City's projected expenses of providing operational staff services to the District in accordance with the proposed MOU. The Capital Improvement Program (CIP) Budget represents the District's anticipated investment in Otay Mesa infrastructure projects.

The District's proposed budget for Fiscal Year 2019 has three operating components and one CIP component, as follows:

Line	Budget Category	Description	Amount
1	Operating	Staff services to the District during Fiscal Year 2019	\$122,063
2	Operating	Reimbursement to the City for staff services provided during Fiscal Year 2018	\$111,889
3	Operating	Reimbursement to the City for District planning costs, capped under EIFD law at 10% of the District's initial two years of revenue	\$67,000
4	CIP	La Media Road (S-15018)	\$369,048
Total Proposed Budget, Fiscal Year 2019			\$670,000

A significant portion of the budgeted operating costs for Fiscal Years 2018 and 2019 relate to staff work on an anticipated District bond authorization election expected to be included as part of the November 2018 general election ballot. Other staff services to be provided to the District in Fiscal Years 2018 and 2019 relate to annual CIP preparation and approvals, legal counsel, and financial reporting.

In addition to annual operating costs, Attachment 2 provides an itemization of reimbursable District planning costs incurred by the City, including fiscal consultant costs, public outreach/ mailing costs, required District map and legal description preparation costs, and state and county fees. Based on the projected District tax increment revenues in the IFP, and a 10% limit imposed per EIFD law, the reimbursement cap is expected to be \$67,000.

While it is difficult to project future annual operating costs due to the newness of the District and lack of historical data; there are District planning costs and bond election work (assuming an affirmative vote) that are one-time expenses of the District and are captured in the budget. Additional future one-time costs related to bond financings are anticipated to begin in Fiscal Year 2021. Details of the Operating Budget are enclosed as Attachment 2 to this report and the associated Revenue and Expense Statement is enclosed as Attachment 3.

The District's estimated \$369,048 CIP budget is programmed for La Media Road. This road improvement is part of an integrated transportation network identified in the Otay Mesa Community Plan that will provide mobility and accessibility to the residents and businesses of the community. It is also part of the designated Truck Route for the Otay Mesa Port of Entry; and once completed will accommodate future development and commercial traffic. The project is identified in the Otay Mesa Public Facilities Financing Plan (PFFP), and the IFP, and is anticipated to be primarily, but not fully, funded by FBA fees. EIFD funding is an appropriate funding source to leverage FBA fees toward full funding of the project. The City is also currently evaluating applying for State and Federal grants as additional funding sources.

Details of the La Media Road CIP S-15018 can be found in the City's Fiscal Year 2018 CIP Budget online at https://www.sandiego.gov/sites/default/files/fy18ab_v3tsw.pdf.

CONCLUSION: It is recommended that the PFA approve the resolutions to approve the MOU, and adopt the District's Fiscal Year 2019 Operating and Capital Improvement Program Budgets.

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Respectfully submitted,



Tom Tomlinson
Assistant Planning Director
City of San Diego

Attachments:

Attachment 1: Draft Memorandum of Understanding

Attachment 2: Proposed District Operating Budget

Attachment 3: Proposed District Revenue and Expense Statement